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RUEHDK/AMEMBASSY DAKAR 1454
RUEHKM/AMEMBASSY KAMPALA 1876
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UNCLAS SECTION 01 OF 04 HARARE 001119

SIPDIS

AF/S FOR S.HILL
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN
TREASURY FOR J.RALYEA AND T.RAND
STATE PASS TO USAID FOR L.DOBBS AND E.LOKEN
COMMERCE FOR BECKY ERKUL

SIPDIS

E.O.12958: N/A
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SUBJECT: Zim Notes December 14, 2007

11. The Embassy Harare Political/Economic Section began producing Zim Notes in July, 2007 to present a perspective on current events in Zimbabwe. Suggestions are always welcome. If you would like to receive Zim Notes by email, as well, please contact Frances Chisholm at chisholmfm@state.gov. Distribution is restricted to U.S. government employees.

12. Parallel: ZW\$1,700,000:US\$1; Official: ZW\$30,000:US\$1
Sugar on the parallel market is steady at Z\$2.5/2kg vs. controlled price of Z\$247,000/2kg
Cooking oil on the parallel market rose to Z\$6million/750ml vs. controlled price of Z\$440,000/750ml
Cash shortage depressed fuel price to Z\$3million/liter vs. Z\$60,000/liter at controlled price

On the Political/Social Front

13. ZANU-PF Congress Endorses Mugabe - As expected, the ZANU-PF Congress endorsed President Robert Mugabe as its candidate for president in next year's elections. Mugabe, in a speech to the Congress, said elections would take place in March. In a broadside against western interference in Zimbabwe, he indicated, as he has in the past, that SADC election monitors would be welcome, but not monitors from the West.

14. SADC Talks Stalled - SADC talks between ZANU-PF and the MDC stalled last week over MDC demands primarily for implementation of a new constitution before elections, postponement of the date for elections, and electoral reform. See Harare 1107. South African president Thabo Mbeki has reportedly recalled negotiators to South Africa this weekend in an attempt to break the impasse. Both factions of the MDC have indicated they will at last form a coalition to contest the elections, and will do so with or without an agreement with ZANU-PF.

15. EU-AU Summit Fallout - The Herald trumpeted Mugabe's attendance

at the Summit as a victory for Zimbabwe over the UK. The lack of African criticism of Zimbabwe at the Summit led Mugabe and the ZANU-PF Congress to praise African unity. Meanwhile, responding to German chancellor Angela Merkel's criticism of Zimbabwe that it "damages the image of the new Africa, Information Minister Sikhanyiso Ndlovu publicly called Merkel a "racist," a "fascist," and a "remnant of Nazism." The Herald printed a cartoon (reproduced below) of a Swastika with Summit critics of Zimbabwe, Germany, the Netherlands, Denmark, and Sweden named on the Swastika's points.

¶6. Secretary Honors Zim Human Rights Defenders - Secretary Rice conferred the inaugural Freedom Defenders Award on Zimbabwe Lawyers for Human Rights (ZLHR) in Washington on December 10, International Human Rights Day. The award was instituted to honor foreign activists and/or NGOs that demonstrate outstanding commitment to law. Rice who remarked that in Zimbabwe "civil society remains under siege amid political and economic crises caused by the irresponsible policies of the regime." The Secretary honored ZLHR for its tireless and fearless efforts "to advance democratic principles, and in particular, it has taken on the dangerous task of providing legal representation to persecuted human rights and democracy defenders." The honor was well deserved. Attacks, arrests and abductions continue unabated, with more than 500 instances of human rights abuses reported each month. (See related text and fact sheet.) In the last year, the ZLHR caseload has increased by more than 20 percent.

¶7. Coincidence? - ZLHR held its annual Human Rights Lawyer of the Year award banquet on December 7 at the Holiday Inn, Harare, conferring the honor posthumously on Lawrence Chibwe, deputy

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secretary of the Law Society of Zimbabwe, after his sudden death in

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an automobile accident last month. The ceremonies were difficult to bear not only because of the sadness of having lost a charismatic and dedicated human rights defender, but also because a six-person band at a very thinly-visited cocktail reception for Zimpapers, publisher of the government mouthpiece The Herald, blasted music from the next room throughout the proceedings.

¶8. Civic Activists Keep Up Street Pressure - In the past week, activists from Women of Zimbabwe Arise (WOZA) and National Constitutional Assembly (NCA) staged separate street demonstrations in Harare that resulted in beatings by police and arrests. On December 7, police in Harare used batons to break up an estimated crowd of 300 NCA activists who were demanding a new constitution and protesting economic conditions. On December 11, more than 75 protesting WOZA members encountered similar police brutality in Harare. See Harare 1106 for details.

¶9. SADC Tribunal Rules In Favor Of White Zimbabwean Farmer - The SADC Tribunal in Windhoek ruled on December 13 in favor of Michael Campbell who was contesting the compulsory acquisition of his farm by the GOZ. The Tribunal issued a protection order for his farm and ordered that the GOZ must not evict or allow the eviction of or interference with his farm, its owners, employees or property. The interdict will hold until the Tribunal decides on the main case dealing with the legality of the contested expropriation. The Tribunal noted in its ruling that according to relevant SADC Protocols on human rights, democracy, and the rule of law, SADC members must protect the rights of their citizens and ensure the rule of law. Campbell appealed to the Tribunal after the Supreme Court of Zimbabwe failed to act on his case.

¶10. New Zealand Extends Zim Travel Sanctions To Adult Children - New Zealand announced on December 10 the extension of its travel ban on associates of the Mugabe regime to their adult children.

¶11. Young Poets Express Anger - A group of mostly young poets, calling itself Zimbabwe Poets for Human Rights, captivated an audience of 75 during a 2-hour poetry slam/beat session at the Embassy's Public Affairs Section. Their work expressed the anger, despair, outrage and hope felt by many young Zimbabweans, and they didn't hesitate to blame Mugabe and the GOZ. They asked why

"students armed with nothing but their brains" are being beaten by cops. Why they are to "Look East when everybody else is looking West," and why the rhetoric of liberation doesn't apply to young black Zimbabweans. Members admitted to having been unable or afraid to perform in public before. The reaction of the audience showed they share the same outrage and frustration.

On the Economic and Business front

¶12. Reserve Bank Raises Reserve Requirements, Accommodation Rates -The RBZ raised reserve requirements for demand deposits from 45% to 50% and for time deposits from 35% to 45% on December 7, reducing the amount of funds available to the banks for lending and thus bank revenue. It also increased the overnight accommodation rate to 975% for secured borrowing (that's over one million percent annual compounded interest), further cutting into banks' profitability. Banks are already finding that the RBZ has robbed them of their corporate borrowers by offering new concessionary lending facilities (25% annual interest) across sectors. In addition, the banks are facing the erosion of their deposit base as Zimbabwe's cash crisis deepens. Lines for cash withdrawals snake around the city's blocks and cash continues to command a premium in the parallel market. While the RBZ's move might appear to indicate a tightening of monetary policy, with the other hand the Reserve Bank is flooding the market with its quasi-fiscal concessionary lending.

¶13. RBZ Governor Gono Says "Practical Solution [To Cash Crisis] On

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The Way" - Gono indicated again this week that he will soon take measures to alleviate the cash shortage. He is widely expected to lop off more zeros on new bearer cheques some time between the end of this week's ZANU-PF Congress and Christmas.

¶14. Inflation Reaches Six Digits, According To Private Account -... Private sector estimates of the rate of inflation in November vary from 80,000%, according to one leading supermarket chain, and an average of 126,000% across income categories according to another well regarded source.

¶15. Zimbabwe's Myriad Exchange Rates - As local currency availability dries up, the Zimbabwe dollar appreciated on the street this week to about Z\$1.7 million:US\$, but foreign exchange traders are shifting more activity into the parallel market for bank transfers. The official is Z\$30,000:US\$, the parallel market cash rate is about Z\$1.7 million:US\$, the parallel market bank transfer rate ("RTGS" rate) is about Z\$5.2 million:US\$, the benchmark Old Mutual Implied Rate is about Z\$4.3 million:US\$, the benchmark fuel price is about Z\$3 million:US\$, and the Embassy's own current rate is Z\$1.5 million:US\$.

¶16. Meikles-Kingdom Merger Approved - Following uncertainties surrounding the merger of Meikles Africa Limited and Kingdom Financial Holdings Limited arising from the high valuation of Kingdom, Meikles shareholders approved the merger by a margin of 54 to 46 on December 11. Apparently the desire to satisfy looming indigenization requirements outweighed arguments for revaluation of Kingdom. The shareholders also approved a name change to Kingdom Meikles Africa. Based on combined pro-forma March 31, 2007 revenues of Z\$369.9 billion (US\$711.35 million at the parallel exchange rate for bank transfers), the new group will have an estimated market capitalization of US\$250-300 million which works out to 10 percent of the Zimbabwe Stock Exchange market capitalization. The merged companies plan to raise capital on the London Stock Exchange to finance investments in hotels, among other assets, in Zimbabwe and in the region, according to a member of the Board.

¶17. LonZim Raises 32.3 Million Pounds on AIM - Investor interest in cheap local assets, at least in foreign currency terms, appears on the rise. In this connection, Lonrho set up an investment Fund, LonZim, in October 2007 to meet the investment demand. According to Lonrho's chairman, David Lenigas, most of the initial investments will be in property which he called "as cheap as chips". LonZim was listed on the Alternative Investment Market in London with a mandate to invest and operate in Zimbabwe and the Beira Corridor. LonZim raised 32.3 million pound sterling from investors by selling 46.4 million shares. According to Bloomberg, Lonrho, which owns 39.4 percent of LonZim, said it planned to seek a separate listing of LonZim shares "on a major stock exchange".

¶18. Update on "Mother Of All Agricultural Seasons" - Areas in the central and eastern parts of the country have accumulated more than 200 mm of rainfall so far this agricultural season. Much of the Midlands, Manicaland, Masvingo and some parts of Matebeleland South provinces have received more than 125% of their long-term mean rainfall. However Matebeleland North (Victoria Falls), some parts of Mashonaland West (Kariba), and South of Midlands (Zvishavane) have received less than 75% of their long-term average. Now if only fertilizer were available...

¶19. No Relief For Business From Price Commission - The Herald reported on December 8 that a meeting of the Confederation of Zimbabwe Industries (CZI) with the National Incomes and Price Commission (NIPC) ended in a stalemate after chairman Godwills Masimirembwa rejected proposals by business to liberalize the exchange rate and allow some level of free-play on pricing. Dismissing business presentations as "cheap", he said industry must produce "without excuses because cheap funds had been released for such purposes."

¶20. Cover price of The Herald Doubles - The National Income and Price Commission approved a 100% increase in the price of The Herald to Z\$600,000 last week.

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